

# Limpopo Legislature

## Office Of The Secretary

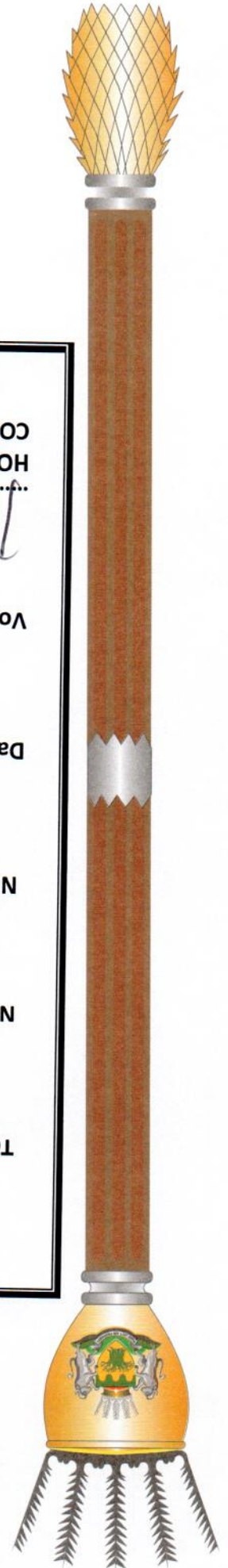
Physical Address:

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NEGOTIATING MANDATE

Postal Address:

Private Bag X9309  
Polokwane  
0700



To	:	The Chairperson: Select Committee on Appropriations
Name of Bill	:	Division of Revenue Bill
Number of the Bill	:	[B2-2018]
Date of Deliberation	:	20 April 2018
Vote of the Legislature	:	Provincial NCP Permanent Delegates to negotiate in favour of the Bill.
COMMITTEE CHAIRPERSON	:	<i>Mokheane</i>
HON. M. S LEKGANYANE	:	<i>20 April 2018</i>
DATE	:	

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### NEGOTIATING MANDATE OF THE PORTFOLIO COMMITTEE ON PROVINCIAL TREASURY ON DIVISION OF REVENUE BILL, 2018 [B2-2018]

#### 1. INTRODUCTION

The Division of Revenue Bill 2018, [B2-2018] was referred to the Legislature by the National Council of Provinces (NCOP). The Legislature referred it to the Portfolio Committee on Provincial Treasury for consideration and to confer a negotiating mandate to NCOP Permanent Delegates.

#### 2. PURPOSE OF THE BILL

The Bill seeks to provide for the equitable division of revenue raised nationally among the national, provincial and local spheres of government for the 2018/19 financial year, the determination of each province' equitable share and allocations to provinces, local government and municipalities from national government's equitable share and the responsibilities of all three spheres pursuant to such division and allocations; and to provide for matters connected therewith.

#### 3. CONSIDERATION OF THE BILL

The NCOP Permanent Delegate together with National Treasury, in the presence of Provincial Treasury; briefed the Portfolio Committee on Provincial Treasury on the principle and provisions of the Bill during a meeting held on 27 March 2018. Subsequent to the meeting, a public hearing was held (See point 6 - inputs and recommendations made by stakeholders).

The Committee met again on 20 April 2018 to consider and adopt negotiating mandate on the Bill.

#### 4. BRIEFING BY NCOP AND NATIONAL TREASURY

During the briefing by NCOP and National Treasury, the Committee found that R85.7 billion will be reduced from 2018 MTEF expenditure of which R26 billion will be

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reduced in the 2018/19 financial year. The biggest impact of reductions were on conditional grants and mainly on infrastructure grants. The Committee also found that in 2018/19 financial year, out of the average equitable share and conditional grants per capita on provincial transfers, Limpopo received 9.5% on equitable share and 1.5% on conditional grants.

### Transfers to provinces

The Committee found that the total transfers to provinces amounts to R571 billion in 2018/19 financial year. Equitable share amounts to R470.3 billion and conditional grants amount to R100.7 billion. Of the total transfers, national government shared 48%, provinces shared 43% and local government shared 9%.

### Provincial equitable share

Limpopo Province received R55 179 billion of the equitable share and R8 544 billion in conditional grants. The total transfers amounted to R63 723 billion. Out of the weighted average of 100% in provincial equitable share, Limpopo received 11.7% which is lesser than the 2017/18 weighted share of 11.8%.

The Committee found that all allocations provided to provinces as equitable share but not allocated through the equitable share formula came to an end in 2018/19.

### Conditional Grants

It was found that there were two new grants that were introduced in 2018/19; namely, Human Papillomavirus Vaccine Grant with a provincial allocation of R27.5 million and Title Deeds Restoration Grant to the amount of R22.5 million. It was also found that Limpopo Province scored 46% (instead of 60% and more) on incentive component regarding the Education Infrastructure Grant and as such did not qualify for incentive allocation. Of more concern to the Committee was that Limpopo was the only province that did not qualify on that component. Provincial Treasury was therefore requested to assist in that regard.

Another concern to the Committee was a need for improvement on Expanded Public Works Integrated grant for provinces which is key to addressing job needs for most disadvantaged people in communities.

### Local government equitable share

It was found that Limpopo local government equitable share amounts to R8.4 billion and conditional grants amount to R5.8 billion.

In order to support development in intermediate cities, a new funding approach will be piloted in the municipal infrastructure grant (MIG) for two cities, namely Polokwane and uMhlatuze.

## 5. RECOMMENDATIONS BY THE COMMITTEE

The Committee recommended as follows:

5.1 The failure by municipalities to utilise funds allocated to them needs to be addressed. The framework for compensation of employees should be available in order to regulate salaries at municipal levels.

5.2 Provincial government departments continue to have bloated personnel and that contributes to negative spending on personnel budgets. Provincial personnel management frameworks should be implemented in order to curb escalating costs of personnel against service delivery programmes.

5.3 While it was noted that funds for Thabazimbi Municipality will be channelled through the District Municipality, the implementation of the recovery plan through such funds needs to be closely monitored to ensure that there is accountability.

5.4 The role of Provincial Treasury in managing transfer of mandates to municipalities needs to be thoroughly outlined in terms of legal prescripts to ensure proper costing on function shifts.

5.5 Low spending on conditional grants in some government departments is highly unacceptable and cannot be condoned.

5.6 Settling of debt owed to municipalities moves at a slow and undesirable rates and therefore such a financial misconduct must be addressed with the urgency it deserves.

5.7 Deviations on funding which had invested more on salaries as compared to services cannot be condoned as it compromise delivery of services.

5.8 Library services should be prioritised in terms of library grants and school sport should also be given the adequate allocations.

5.9 The visit by President Zuma to Siloam and Tshilidzini hospitals and his pronouncement of modern facilities upon realisation of the state of hospitals and the piloting of National Health Insurance still remain stagnant. This policy commitment and stagnancy cannot hold communities at ransom and National Treasury should reallocate the money to Limpopo Province for the erection of the two hospitals.

Progress regarding the medical school that was supposed to have been built in the past 4 years by the National Department of Health should be reported because learners had since been admitted but nothing has been done or reported to date.

5.10 The Minister of Water Affairs and Sanitation had since promised the connection of water from Nandoni Dam to Giyani at Mopani District but there is no delivery to date. Progress report must therefore be provided on the matter.

5.11 National departments that were getting disclaimers cannot be expected to assist provincial departments and that should be highly discouraged.

5.12 Road infrastructural developments taking place in the province were appreciated but were not enough. The Committee is of the view that before tollgates are introduced, roads of acceptable standards must first be constructed. Further that roads in Limpopo should be given priority like it is a case with other provinces.

A plea made by the Committee was that whenever a recognition of Musina-Makhado corridor has been made, SANRAL must expand the route the way it did with N1 from Limpopo to Gauteng. It was considered of importance to also consider a road infrastructure in Lephalale and Bloubaerg that connects the Musina-Makhado corridor and N1 to Gauteng for economic development purposes.

While investment trends in Limpopo are encouraging, the challenge remains viable transport networks for easy access to markets. The Committee therefore maintains that funds should be made available for speed trail from Johannesburg to Polokwane and Musina.

5.13 The Committee urged the National Treasury to be combat ready for any drought or negative climatic conditions that the province might face. This could be achieved if the current rain harvesting mechanisms are supported than it is currently happening. In this regard, the Committee recommended that there is a need to move with speed in building and upgrading existing dams around the province rather than to wait for disasters to strike.

5.14 The Committee is aware that President J. Zuma piloted MUYEXE as a presidential nodal point but was concerned that there has not been sufficient reporting regarding progress on achievement of targets set for the project. It would be appreciated if the National Treasury interacts with the relevant institutions to ensure that the project is given the necessary attention and targets set for the project are achieved without failure.

5.15 Funds that are surrendered by municipalities to National Treasury were raised as a matter of concern. While the Urban Development Grant allocation for Polokwane

Municipality was appreciated, National Treasury should find a way to balance allocation against expenditure and thereafter appropriate funds accordingly.

5.16 Given the unemployment rate in the country, EPWP grants should be utilised in a way that allows for durable jobs.

5.17 The guidelines at schools which require that school governing bodies should be involved in the appointment of service providers pertaining the NSNP are not welcomed since they cause conflicts in schools and should therefore be revisited to mitigate the anomalies thereof.

5.18 The Committee was concerned about the targets previously set by Agriculture to establish and rehabilitate agricultural infrastructure facilities. It was found that if farms like Zebediela citrus and Makgobaskloof were operating to the expected standards, poor people would not be adversely affected. It was therefore recommended that targets as aforementioned should be reviewed and that the progress that was made in the past 3 to 4 years be assessed against the value for money allocated to such targets.

5.19 Having recognized the poverty levels in both Limpopo and Eastern Cape Provinces, the Committee emphasized a need for demonstrative effort to develop action-oriented plan to develop those provinces.

5.20 A comprehensive plan to empower the Department of Education's infrastructure unit should be given a serious attention as non-qualification for incentive grants compromises service delivery.

## 6. INPUTS AND RECOMMENDATIONS BY STAKEHOLDERS

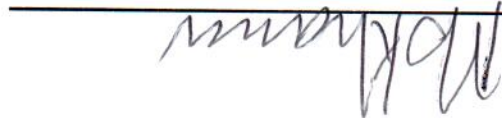
6.1 A concern was raised on farm dwellers who still live in mud houses and can go without water for 7 days. At some instances, whenever a municipality provides such water it will be once in two weeks. In most cases, water and sanitation are the biggest challenges among most farm dwellers and that should be given the necessary attention.

6.2 Small scale farmers do not get the necessary support as compared to commercial farmers. Even drought relief initiatives prioritize commercial and leave out small scale farmers and that is highly unacceptable.

6.3 Duplication of services in provincial and local government spheres is a biggest threat to service delivery. More often than not, local government being close to communities find itself not boosted enough to provide required services. Leadership must therefore be provided in that respect.

**CHAIRPERSON: PORTFOLIO COMMITTEE ON PROVINCIAL TREASURY**

**HON. M.S LEKGANYANE**



The Portfolio Committee considered the Bill and hereby confers a negotiating mandate to the National Council of Provinces' Permanent Delegates to negotiate in favour of the Bill with recommendations as aforementioned.

**7. NEGOTIATING MANDATE**

- 6.4 Underspending by the province on HIV programmes is not appreciated and measures should be put in place to ensure appropriate spending.
- 6.5 The free initiative at tertiary institution is highly appreciated but it should be supplemented by network resources like access to wifi facilities as well as mini libraries.
- 6.6 At times students are required to participate in field studies and buses that are utilised at universities are not viable enough to access certain areas and therefore this makes university outreach programmes difficult to achieve. In other words, students are disadvantaged in the process. Therefore there is a need for partnership with municipalities and universities on matters of outreach programmes concerning students.



LIMPOPO LEGISLATURE

PUBLIC HEARING ON DORA

27 MARCH 2018

PARLIAMENTARY VILLAGE: 15HRS

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